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Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
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Re: Regulatory Notice 21-17, Supporting Diversity and Inclusion in the Broker-Dealer Industry

Dear FINRA:

Thank you so much for addressing this important topic! Increasing diversity and inclusion in our society is necessary for our future growth and prosperity and I am glad that FINRA is asking how it can do better within the constraints of its mandate.

¹ All opinions are strictly my own and do not necessarily represent those of Georgetown University or anyone else. Over the years I have served as a Visiting Academic Fellow at the NASD, served on the boards of the EDGX and EDGA exchanges, served as Chair of the Nasdaq Economic Advisory Board, and performed consulting work for brokerage firms, stock exchanges, market makers, and law firms. I've also visited over 75 stock and derivative exchanges around the world. As a finance professor, I practice what I preach in terms of diversification and own modest holdings in most public companies, including brokers, asset managers, market makers, and exchanges.

1. Inequalities in our law enforcement and justice procedures leads to more Black people with blemishes on their criminal record than for others. This effectively bars many good people from the industry. It is in the public interest to undo this injustice. FINRA and the industry need to re-evaluate the background requirements for entry into the industry. Minor blemishes should not result in automatic rejection, especially for incidents prior to the age of 21. Non-violent felonies, such as old drug offenses, should not be grounds for automatic disqualification. Although §3(a)(39) of the Exchange Act makes any felony conviction within the last 10 years an automatic disqualification, FINRA should work with the SEC to use the SEC's broad rulemaking and exemptive authority to make appropriate exemptions to this rule or to lobby Congress to amend §3(a)(39).
2. The ever increasing cost of compliance increases entry barriers to the industry. The founder of a successful fintech brokerage firm told me that he would not be able to start his firm today because of the higher compliance burdens. This makes it harder for minority-firms to get started. FINRA should look for ways of reducing compliance costs and entry barriers to the field.
3. FINRA exams such as the Series 7 are only available to people who already have jobs in the industry. (The SIE and 65 are noteworthy exceptions.) This makes it harder for outsiders to break into the industry. FINRA should open up all Series exams to those who are not yet affiliated with FINRA-member firms. The fee for the Series 7 for unaffiliated persons should be lower, with generous and easy-to-apply-for scholarships available for those of limited means. FINRA should also work with Historically Black Colleges and Universities (HBCUs) to offer educational opportunities for those who wish to take the exams

This would be transformational. The 7 is a great litmus test for those considering employment in the industry, but also serves as a yard-stick for employers. Having a non-sponsored 7 would make a candidate very attractive to small and mid-sized financial firms.

4. Financial service firms (and especially trading floors) have long had a "locker room" culture that not only tolerated and but actively encouraged sexist and racist harassment. These are clear violations of FINRA Rule 2010, High Standards of Commercial Honor. Unfortunately, FINRA looked the other way for years, and it has taken legal action to get firms to clean up their acts. While it is extremely difficult to regulate culture, FINRA could look at the make-up of desk leadership. For example, FINRA could examine what percentage of corporate bond trading desk heads or sales desk heads are comprised of people of color or women. Greater representation would create an environment that reduces harassment. Even just gathering those statistics in a FINRA exam would put firms on notice that they need to pay attention to this issue.

Respectfully submitted,

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